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FISCAL IMPACT STATEMENT

LS 6014

BILL NUMBER: SB 23

NOTE PREPARED: Nov 5, 2014

BILL AMENDED:

SUBJECT: Economic Development Incentive Accountability.

FIRST AUTHOR: Sen. Randolph

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State

Summary of Legislation: This bill renames the annual "Economic Incentives and Compliance Report" in current law to the "Job Creation Incentives and Compliance Report" (report). It adds various job and employee definitions to the Indiana Economic Development Corporation (IEDC) laws.

The bill requires an incentive recipient to submit an annual compliance report on the number of jobs created or retained, employee pay, and various other information concerning the use of the incentives, and requires the IEDC to compile this information and include it in the IEDC's annual report. It provides that information submitted in an incentive recipient's annual compliance report and other information maintained by the IEDC is publicly available in accordance with the open records law.

It repeals and relocates several definitions without change to maintain alphabetical order.

Effective Date: July 1, 2015.

Explanation of State Expenditures: *Department of State Revenue (DOR):* Under this bill, the DOR must report the aggregate amount of uncollected or diverted state revenues resulting from each state tax incentive to the IEDC each year. The DOR's current level of resources should be sufficient to provide this information.

Indiana Economic Development Corporation (IEDC): This bill makes changes to the IEDC's Job Creation Incentives and Compliance Report, which is submitted annually to the Governor and the Legislative Council. Some of the required information must be provided by annual reports submitted by the recipients of the job creation incentives. The bill also requires the IEDC to report the aggregate amount of uncollected or diverted state tax revenue and report a summary of the information provided by the certified technology parks. The

IEDC will likely incur additional expenses to comply with the new reporting requirements. Their current level of resources should be sufficient to satisfy the requirements of the bill.

Explanation of State Revenues: Summary - The bill expands the general job creation incentive recapture provision to include if an incentive recipient (1) fails to make the specified level of capital investment, (2) employs fewer individuals, or (3) pays less in wages than specified in the application for the job creation incentive. If an incentive recipient fails to satisfy these conditions, the recipient must pay back the amounts as determined by the IEDC. During CY 2013, the IEDC recaptured \$1.0 M in cash and \$1.8 M in forgone certified tax credits. Based on historical compliance information, their average recovery amount is approximately \$1.5 M a year. The actual revenue impact would depend on the number of job creation incentive recipients who violate the provisions of their incentive agreement, the amount of the incentive provided, and the remaining assets of the business.

Additional Information - Under current statute, the recipient of a job creation incentive must pay back the amount of the incentive they received if they move or close. However, there are different clawback provisions for specific credits. It also allows the IEDC to hold a hearing if they find a recipient is employing fewer people than stated in the incentive agreement. The hearing may result in the recipient returning some or all of the incentive awarded.

The bill defines a job creation incentive as a tax credit, tax deduction, grant, loan, or loan guarantee provided by the state or an agency of the state for the purposes of encouraging the creation of new jobs. This applies to a variety of programs, including the Economic Development for a Growing Economy (EDGE) Tax Credit, Hoosier Business Investment Tax Credit, Skills Enhancement Fund, Business Development Loan Fund, and Industrial Development Project Guaranty Fund. The recapture provision applies to all job creation incentives, and if a recapture is initiated, the money would be returned to the appropriate fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue; Indiana Economic Development Corporation.

Local Agencies Affected:

Information Sources: IEDC, Economic Incentives and Compliance Report for the Reporting Period January 1, 2005 - December, 31 2013
<https://transparency.iedc.in.gov/Additional%20Public%20Information/Economic%20Incentives%20and%20Compliance%20Report%20Period%20ending%20December%2031,%202013.pdf> accessed on September 21, 2014.

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